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February 18, 2005

VIA FAX AND U.S. MAIL

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Case Developer
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Ms. Linda Ketellapper
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Re: Porcelain Metals Corporation/OII – Casmalia – Omega - Superfund Sites

Dear Mmes. Green, Goldberg and Ketellapper:

This follows up on my telephone messages to each of you on February 18, 2005, and to my telephone conferences on that date with Linda Ketellapper and Kate Taylor of your office.

We are in receipt of the letter, dated February 10, 2005, from Elizabeth Adams (re Casmalia Superfund Site), and the letter, dated January 31, 2005, from Thanne Cox (re Omega Chemical Superfund Site), each letter accepting our ability-to-pay claim on behalf of Porcelain Metals Corporation ("PMC") and proposing a reduced settlement amount for each site. The letter from Ms. Cox noted that we may receive in the future a separate settlement offer regarding the Operating Industries, Inc. ("OII") Superfund Site.

As you know from the submitted ability-to-pay materials, PMC is in very poor financial condition. Under the circumstances, PMC would like to know the reduced settlement amount also as to the OII site in order to know the total picture and to determine whether and how PMC can afford to enter into the proposed settlements. Kate mentioned that it may be some time before a new settlement offer can be made as to the OII site, but that Lois Green may have additional perspective on that point. So, Lois, please call me and let me know the prospects for a

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resolution as to the OII site in the foreseeable future so that all three sites might be wrapped up together.

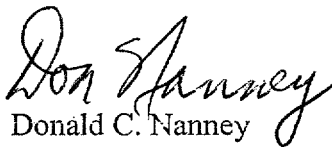
PMC is certainly appreciative of the consideration given on the ability-to-pay claim as to the Omega and Casmalia sites. It will still be a financial hardship to pay the proposed amounts, and we are not certain that PMC will be able to do so. Among other arrearages, PMC is seriously in arrears to this firm and is also in arrears as to oversight charges of the California Department of Toxic Substances Control regarding the CAMEO site (i.e., the former manufacturing facility location in Commerce, California). As noted, it would help to know the OII amount in order to figure how PMC might be able to satisfy any such settlements. In any case, a payment plan may be needed and we would like to know if flexibility exists to establish a payment plan as part of a settlement.

This will also confirm that Linda kindly extended the deadline on response as to Omega to coincide with the deadline on response as to Casmalia, i.e., 30 days after February 10 (which I figure is March 12, 2005, but since that date is a Saturday, the deadline is automatically extended to the next business day, Monday, March 14, 2005). That will hopefully give us time to consider what we can do once Linda returns (after her vacation next week), and meanwhile perhaps Lois and Karen can speak with me regarding the OII and Casmalia sites.

Thank you very much for your attention to this matter.

Very truly yours,

GILCHRIST & RUTTER
Professional Corporation


Donald C. Nanney
Of the Firm

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cc: Gerald Tyrrell, PMC (via email)
Kate Taylor, U.S. EPA (via fax 415-947-3520)